

Cossiga Must be frank. Faced with package and maintenance of 1% ceiling. 2 Irish and Italian Reached conclusion that package is essential, otherwise no progress. Begins with British contribution, sets out problem.

Thatcher Appreciates offers. Certain features of elements of package strenuously contest or find unacceptable. Recaps on French proposals. 1. Contribution - 1979 base year. Callaghan contested it and it is too high. 2. three year average. Others must speak but 79 too high.

Schmidt Limits himself to comment. President has listed all elements of package. Agreement possible only if agreement on all others. Thus agreement on British problem only provisional. No-one will be satisfied - result must be equal dissatisfaction. Otherwise failure.

Thatcher Repeats that features in other documents not acceptable or strenuously contested, rest not automatic. Must have prolonged bargaining.

Schmidt He agrees that some time must be spent on issue, but it must be package.

Cossiga Any positive convergence must be on all fronts.

Thatcher Will be here a long time if we have to agree all papers.

Giscard PM has said proposals not acceptable. What are they? If some are unacceptable, how can there be a package?

Thatcher Some things in sheepmeat proposal and others.

Cossiga Surely not unacceptable?

Thatcher Not bargainable

Jenkins Future of community not bargainable. Let's approach things ad referendum

Cossiga Let us conclude but not come to conclusions.

Thatcher Repeats automatic point. Bargaining better word.

Cossiga What about average?

Thatcher Start on basis of fair average. Which would be three years. Figures from Commission calculated on same basis.

Jenkins Take a little time to get accurate figure. What is point of basis?

Thatcher Some years aid not separated from rest. But what would others consider as base figure?

Giscard Discussion not leading far. This was French idea. Last year Mrs Thatcher argued about unacceptability(?). Lets have a figure. What does she consider?

Thatcher Modest contribution. Start out 250 million
[Dead silence]

Cossiga Not basis on which we could reach agreement. Thus one or two years average a good starting point.

Schmidt 250 million should not be taken up since it fixes upper limit. German no intension of being sole contributor. If so receipts limited. New French proposals raises questions

1. Basis. But agree ceiling should be corrected.
2. Duration or forever. Could agree 78 and 79 average but only for one year.

Thatcher Right duration. Must take account of GNP. Five years then review.

Cossiga What do you mean by review? Does it mean look at it again?

Thatcher Look again but not terminate. Look in light of hard circumstances. Contribution rise if GNP rises.

Cossiga Reconsideration not reviewed. Must be political decision.

Giscard 1981. Agreed some years ago. 80. 81 only ones. Then must get figure. Otherwise difficult financing system. Not fair one fixed but everyone else variable. But not possible for one country. Would have to have Parliamentary approval.

Thatcher Method I dealt with this. Problem is receipts. Restructuring essential anyway agreed at Dublin. Ag proposals have reverse effect.

/Jenkins

Jenkins

Figures	76	- 89
	77	+125.8
	78	-228
	79	-849

Three years 77-79 - 317
Two years 78-79 - 536

In relation to Community expenditure, second and third method only methods of calculating sum.

These methods isolate that country from responsibility for Community budget. Must have some cut off - a bit like solution 3.

Cossiga Couldn't have three year average as 77 was in credit. (why must there be an average of unacceptability?)
Could only be two year - 78,79 or 79.

Jenkins has suggested shift from method 2 - 3.

Thatcher Must make progress on this otherwise not much hope on others.

Haughey What is British contribution for 1980?
Before Ag 1683 + 100 net if Ag agreed.

Werner Doesn't understand. Thinks 79 should be date (God knows why - he was unintelligible)

Cossiga Let's agree on amount and duration, no way forward.

Jenkins What about Schmidt's idea + some mechanism not isolating consequences to Britain. ~~XXXXXXXX~~

Schmidt Not a proposal. Gives several months to find solution.

Cossiga Schmidt has realistic idea.

Thatcher Please not temporary. Clouded counsels.
We really must have a lasting solution. Nothing done in meantime. Look at Ag proposals reverse
/of

restructuring.. Whereon we do it - out of the way.

Schmidt GNP great yardstick for you. Balance of payments for you best. German balance of payments awful. Do it for one, do it for all. We have difficulties - Turkey etc. You not only one. If we do something

Thatcher for a year only. Dispensation of efforts over another seven months.

Schmidt Withdraws his proposal. Meant to be helpful (huffy).

Giscard Then two different approaches

1. settle for two or three year discussion figures over three years.
2. If Mrs Thatcher wants longer duration than another discussion, Commission involved since must be ceiling for all on payments or receipts.

Thatcher Formula being called into doubt discussing 2 which came for France. No faults on that. Three years very difficult - vigorous opposition bad moment to terminate. Problem getting worse.

Cossiga Three years a long time. Situation may change. Schmidt's idea would dedramatize terrible situation. Postponement in total would be worse - he's very worried at postponement.

Van Agt

Proposal. Based on:

1. Credibility damaged if no agreement
2. In present tense international union necessary to get rid of problem
3. Whatever solution take up

New attention to solution 1.

He believes not possible to reach agreement permanence. But understands our objection to 1980 only so:

1. We offer UK over three years 1,000 EUA
2. If essential a less concession

Thatcher

Would loan us 800 million taking all increases in future. Sorry - gap too wide. Not possible at home.

D D

Risky making any proposal. Van Agt's proposal constructive, but would go with Schmidt.

Addendum. Average per last two years and apply for two years.

Werner

Duration of any arrangement could not last longer than three years. Dutch suggested longer. Must combine number of years with digressive clause.

Schmidt

NO! to Agt and Werner. Unlimited contributions. Must consult. One year only can judge. But over years uncalculated no on.

Werner

Understands Schmidt. But take five years. Each year reduced by a fifth!!!

Martens He likes Van Agt's proposal. But amount too much if in excess of a billion units of account. So have problem. 1300 - 1500 impossible.

Van Agt Disappointed at British reaction. 1,000 billion over three years considerable burden. Fourth and fifth year not up to 1,000. Appeal to Britain's margin for compromise small.

Giscard The whole thing has deteriorated into a financial council. What are we up to?

Cossiga Come up against figures - tried to avoid it! Probably no conclusion, therefore clinging onto Van Agt and Schmidt. Must try rest of agenda.

D D Germans say can't see implications. But same solution for 81 should be possible. His suggestion as basis.

Thatcher Schmidt's suggestion. Return of 1300, 1400 U N, but some can't discuss amounts of that order. helpful. ~~By~~ Is there any point in going on? Van Agt ~~hopeful~~. But back to 1979.

Schmidt His idea, taking into account our wish for average 536 - 1100 odd payable. Large sum. Don't know how to get further.

Giscard If discussion centred on Schmidt or Van Agt, which would she prefer?

Thatcher Both. One period too short Other. Money too little.

Schmidt Budget increasing all time. Part of package to restate 1% VAT. Absolute limit. So dynamism not necessary.

Thatcher 1% VAT does allow bigger budget, because of growth. Commission gets income from levies.

Giscard Two ways of doing it. Van Agt. Schmidt.

If VA rejected. Schmidt only can accept that

But 1. Commission must prepare follow up quickly

2. Reaffirmation of 1% VAT
3. Must limit surpluses as well as deficit.

If Commission studies.

So. Van Agt is a model.

Or if not, deal with matter according to Schmidt.

Thatcher Van Agt. Tried to help and grateful. Unfair and unacceptable though a very substantial contributor. Refuses one year solution too.

No repeat performance.

Thus can only go forward.

On more than 1,000

Or Schmidt three years subject to review.

Cossiga Schmidt's proposal (repeats it all)

Wants chairman to go round table.

Giscard/
Schmidt Repeat the proposal again.

Cossiga.

Just be frank. faced with package

+ maintenance of 1% ceiling

& risk & inflation

③

reached conclusion that package is essential.

otherwise no progress.

Begins with British contribution. sets out problem.

Thatcher

Appreciates efforts. certain features of demands of package strenuously argued as just unacceptable.

Reacts on French proposals.

1. contribution. 1979 base year. Callaghan contacted it & it is too high.

? Index three year average. Others must speak but '79 too high.

Schmidt

himself hurried to comment. President has listed all demands of package. Agreement possible only if agreement on all others. Thus agreement on Brit problem only provisional.

Noone will be satisfied result must be equal dissatisfaction. otherwise failure

Thatcher

repeats that features in other document not acceptable or strenuously contested not automatic

must have prolonged bargaining.

(2)

Schmidt.

He agrees that sometimes must be spent on issues but it must be package.

Cossiga.

Any positive convergence must be on all fronts

Thatcher

Will be here a long time if we have to agree on papers

George Giscard

P.M. has said proposals not acceptable what are they. if some are unacceptable how can they be package.

Thatcher

Some things in Shephard's proposal & others.

Cossiga

Surely not unacceptable?

Thatcher

no bargainable.

Jenkins

Future of Community not bargainable
lets approach things ad referendum

Cossiga

lets us conclude but not come to conclusions

Thatcher

repeats automatic point. bargain better word.

Cossiga

what about average

(3)

Thatcher

start on basis of fair average, which would be three years. figures from Commission calculated on same basis.

Jenkins

take a little time to get accurate figure. what is point of basis?

Thatcher

some years aid not separated from rest. But what would others consider as base figure?

Cossiga Giscard

discussion not leading far. This was French idea. last year I argued about unacceptability(?) lets have a figure what does she consider?

Thatcher

modest contribution. start out 250 million

[dead silence]

Cossiga

ORR basis on which we could reach agreement. Thus one or two year average a good starting point.

Schmidt

250 million should not be taken up since it fixes upper limit. German no intention of being sole contributor. if so results limited.

Schick (cont)

(4)

New French proposal raises questions

1. basis. but agree ceilings should be corrected

2. duration or ^{range} period. could agree ~~to~~ 78 & 79 but only for one year

Hatcher

right duration. must take account of G.N.P.
5 years a ten period.

Cossiga

What do you mean by review?
don't mean look at it again

look again but not terminate.

Hatcher

look in light of new circumstances. contribute
rise of G.N.P. rises.

Cossiga

reconsideration not varied. must be

political decision

Giscard

1981. agreed some years ago. 80-81
only ones. Then must get figure. ECU W.3c
different financing system. Not just one fixed
but everyone else variable. But not possible
for one country

Gianni

would have had to have particularly approval (5)

Thatcher

Method I dealt with this problem is
recap's. restructuring essential anyway agreed
at Dublin.

Ag proposals have reverse effect.

Corona

Jenkins.

Figures.	76.	-	89
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	78	-	228
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(6)

Three years. 77-79. = 317

Two year 78-79 = 536

in relation to County expenditure

2 & 3rd method only method of calculating sum

These methods isolate that County is responsible for County budget.

must have some cut off - a bit like solution 3.

Could have three year average as 77 was in credit

Possiga

(why not then be an average of unacceptability?)
could only be two year 78, 79 or 79

Jenkins has suggested shift from method 2-3

Shatcher

Don't make progress on this otherwise not.

much hope on others

Haughay

what is British contribution for 1986

before Ag 1683

+ 100 net of Ag agreed

Cossiga Wanan

doesn't understand. thanks 79

(7)

should be date (God knows why - he was
unintelligible)

Cossiga

lets agree on amount & duration.

no way forward.

Jenkins

what about Schmidt's idea

+ some mechanism not
isolating companies
from Britain.

Schmidt

not a proposal. gives several months
to find solution

Schmidt has realistic idea

Cossiga

please not temporary. clouded Council's
concerns?

Thatcher

We really must have a lasting solution.

nothing done in mean time. Look at AG
proposals reverse of restructuring.

whenever we do it - out of the way

Schmidt

G.M.P. great yardstick for you. Balance
of Payments for you best. German balance of
payments awful. Do it for one do it for all.
we have difficulties - Turkey etc you not only one
if we do something for a year only. dispersion
of states over another seven months

Thatcher

Hatch (cont)

Schmidt

would draw his proposal meant to
be helpful (huffy).

Giscard

I have 2 different approaches

(1) settle for less a three year
discussion figure of 3 years

(2) if it's 7 wants longer duration

than another discussion, Commission understood
since must be ceiling for all on payments
or receipts.

Hatch

formula being called into doubt
discussing 2 which came for France. No
figure on that. 3 years v difficult -
vigorous opposition bad moment to terminate.

Cossiga

problem getting worse. Three years a
long time. situation may change.
Schmidt's idea would de-dramatise
terrible situation. Postponement in 1980 would
be worse. He's very worried at postponement.

Van Agt

proposal. based on

(9)

(4)

?

① credibility damaged if no agreement

② in present tense international
more necessary to get rid of

③ whatever solution take up ^{problem} (Van Agt)
new attention to solution 1.

He believes not possible to reach agreement
on financing.

But understands our objection to 1980 only

so

1. we offer UK over 3 years

1,000 E.U.A

? — 2. if essential a less concession

Thatcher

would loan us 800 million
taking all increases in future.

Some gaps too wide.

not possible at home

Dreaded Jane

risky making any proposal

Van Agt's proposal constructive but

would go well Schmidt

addendum. Average of last two

X years & apply for two years.

Werner
—

duration of any agreement
should not last longer than 3 years. (10)

Jutch suggested longer. must combine
number of years with derogative clause.

Schmidt,
—

NO to Agt & Werner.

unlimited contributors.

must consult. one year only can
Judge. but over years uncalculated not on
understands Schmidt. But

Werner
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take five years. Each year reduced by
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~~Van Agt~~
Parkes

He likes Van Agt's proposal.

But amount too much of in excess of
a billion units of account. So have
problem. 1300 - 1500 impossible

Van Agt.
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disappointed at British reaction.

1,000 billion over 3 years considerable
burden. 4th 5th year not up to 1,000
appeal to Brits but margin for compromise
small.

Giscard

The whole thing has deteriorated ⁽¹⁾
into a finance council. what are we up to?

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come up against figures - tried to avoid it
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Van Agt & Schmidt.
must try rest of Agenda.

J.J.

~~developed for~~ Germans say Cant.
see implications. but same solution for it
should be possible. his suggestion as basis

Thatcher

Schmidt's suggestion
return of 1300, 1400 U.A.
but ^{some} Cant discuss amounts of that order
is than any point in going on.
Van Agt happy but back
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his idea, taking into account our wish
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large sum. don't know how to get
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if discussion centered on Schmidt.
or Van Agh

Which would she prefer

Thatcher

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other money too little.

Schmidt.

Budget increasing all time.
Part of package to rebate 1% Vat. Absolute
limit. So dynamism not necessary.

Thatcher

1% Vat does allow bigger budget, because
of growth. Commission gets income from levies.

Fiscand

Two ways of doing it. Van Agh
Schmidt.

if V.A. rejected. Schmidt only ~~com-credit~~ that

but
① Commission must prepare follow up
quickly

② reaffirmation of 1% Vat

③. must limit surplus as well as
deficit.

if Commission studies.

?

So. Van A is a model

or if not deal will matter according
to Schmidt.

Shatcher

Van Agt. tried to help a grateful (13)
unfan & unacceptable though
a very substantial contributor.

refuses 1 year solution too
no repeat performance.

Thus can only go forward

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Or Schmidt 3 years subject to review.

Cossiga

Schmidt's proposal (repeats it all)
wants chairman to go round table.

Giscard & Schmidt.

repeat the proposal again